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November 17, 2003

Thomas L. Mumaw
Karilee S. Ramsey
Pinnacle West Capital Corporation
Law Department
P.O. Box 53999
Phoenix, Arizona 85072-3999

Re: APS Rate Case: Docket No. E-01345A-03-0437

Dear Counselors:

I am asking APS to respond to a number of questions regarding its Demand Side Management (DSM) programs.

Before 1996, APS had in place rebate and incentive programs to promote greater energy efficiency, and since 1996 has employed a Market Transformation Strategy that attempts to alter the purchasing and behavioral decisions of ratepayers.

Historically, System Benefits Charges (SBC) had been used to fund low-income weatherization and energy efficiency programs. As part of the current Environmental Portfolio Standard, SBC and DSM funding were reallocated to fund EPS activities.

I am interested in obtaining the following information:

- How much money has APS expended on its Market Transformation Strategy each year since 1996?
- How much money has APS expended on low-income weatherization programs each year since 1996?
- How much money has APS moved from SBC for EPS purposes each year since 1996?

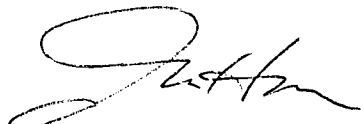
I invite Staff, APS and other interested parties to discuss the possibility of APS implementing a more comprehensive Demand Side Management Program, which would continue to embrace the Market Transformation Strategy and reinstitute the more traditional rebate and incentive programs.

Thomas L. Mumaw
Karilee S. Ramsey
Page 2

The Nevada Public Utilities Commission recently approved a new \$9.2 million energy conservation budget for Nevada Power in 2004. The program includes various rebates for energy efficient appliances, low-income weatherization funding and customized energy savings incentives for small businesses. I would ask the parties to investigate this program and similar programs in other western states and make recommendations prior to the scheduled hearing in April 2004.

I look forward to your comments and testimony on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Hatch-Miller", with a large, stylized initial "J" and "H".

Jeff Hatch-Miller
Commissioner

CC: Chairman Marc Spitzer
Commissioner Bill Mundell
Commissioner Mike Gleason
Commissioner Kristin Mayes
Docket Control